

**SOUTH CAROLINA
HOUSE OF REPRESENTATIVES
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

September 19, 2019

Mr. Patrick Dennis, Clerk of the House
and
Members of the South Carolina House of Representatives
Columbia, South Carolina 29201

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina House of Representatives (the House), on the systems, processes and behaviors related to financial activity of the House for the fiscal year ended June 30, 2018. The House's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the House. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the House has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the management of the House and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor
Agreed - Upon Procedures Related to the South Carolina House of Representatives (A05)

Cash Disbursements/Non-Payroll Expenditures

1. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations for the following general ledger (G/L) accounts in the general fund: attorney fees (G/L account 5021020000), office supplies – minor office equipment (G/L account 5030010002), and equipment & supplies – end user computing (G/L account 5030067130).
2. Haphazardly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by House procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by House procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the House.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, purchasing card regulations, state travel regulations, etc.
 - Determine that disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

We found no exceptions as a result of the procedures.

Payroll

3. Haphazardly select ten Representatives and inspect supporting documentation during the fiscal year to:
 - Agree taxable subsistence pay to appropriate rate and Representative's period session dates and confirm that the Representative received \$1,000 in-district expense for one haphazardly selected month.
 - Confirm that the Representative, if not retired from the General Assembly Retirement System, was paid \$10,400 during the fiscal year.
4. Haphazardly select five salaried and five hourly employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the House's policies and procedures, that the employee's last pay check was properly calculated, and that the employee's leave payout was properly calculated in accordance with applicable State law.
5. Haphazardly select five hourly employees hired during the fiscal year to determine if they were added to the payroll in accordance with the House's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures.

Reporting Packages

6. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the master reporting package checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
7. In addition to the procedure above, perform the following:
 - Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger and/or House prepared records.
 - Capital Assets Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of House provided supporting documentation and agree amounts reported on the Non-SCEIS Agencies Only – Capital Assets Summary Report to the House's capital assets worksheet. Additionally, haphazardly select three capital asset acquisitions to confirm they were properly capitalized in accordance with applicable CG instructions.

Findings:

Reporting Package Late Submission - The House submitted the litigation reporting package after the due date established by the Comptroller General.

Capital Assets - The reported depreciation and accumulated depreciation amounts for assets held under capital leases were understated by \$1,525 on the master reporting checklist due to a change in a capital lease agreement.

Additionally, an asset was recorded incorrectly per the Comptroller General's reporting policies and procedures manual. The instructions state to report the value of the asset at the lower of the fair value on the date the lease is executed or the present value of future minimum lease payments. The asset was reported as the cost of all lease payments. The asset should have been reported as the present value of future minimum lease payments, the House understated the acquired asset by \$4,084.

Management's Responses:

In response to the late submission of the reporting package, the Assistant Legal Counsel to the Speaker's Office was unable to get the package signed by the House Clerk in a timely manner. We will ensure reporting packages are submitted timely in the future.

In response to the capital assets finding, we corrected the understated asset values for the capital assets reporting package with the assistance of the CG's Office.

Payroll Liabilities Reporting

8. Determine if reported leave amounts agree to House prepared reports/spreadsheets (agency is not on SCEIS leave module).

We found no exceptions as a result of the procedure.

Appropriation Act

9. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
10. Confirm compliance with the selected agreed-upon House-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Status of Prior Findings

11. Through inquiry and inspection, determine if the House has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedure.